AMENDED IN ASSEMBLY MARCH 21, 2002 AMENDED IN ASSEMBLY MARCH 4, 2002

CALIFORNIA LEGISLATURE—2001-02 REGULAR SESSION

ASSEMBLY BILL

No. 1791

Introduced by Assembly Member Runner (Coauthor: Assembly Member Wyman) Members Runner and Wyman

January 14, 2002

An act to amend Section Sections 83116 and 87302 of, and to add Sections 87300.5 87300.2, 87300.5, and 87302.5 to, and to add Article 6 (commencing with Section 87600) to Chapter 7 of Title 9 of, the Government Code, relating to the Political Reform Act of 1974, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

AB 1791, as amended, Runner. Code of Ethics: designated employees: online disclosure Conflicts of Interest: disclosure.

Existing provisions of the Political Reform Act of 1974 require the Fair Political Practices Commission, when the commission determines, on the basis of a hearing that a violation of the act has occurred, to issue an order, and authorizes the commission to require the violator to, among other things, pay a monetary penalty of up to \$5,000 per violation to the General Fund of the state.

This bill would prohibit the commission from issuing an order that requires a state or local governmental agency to pay a monetary penalty.

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Existing provisions of the Political Reform Act of 1974 require every state agency and local government agency to adopt a conflict of interest code, formulated at the most decentralized level possible, that requires designated employees of the agency to file statements of economic interest disclosing any investments, business positions, interests in real property, or sources of income that may foreseeably be affected materially by any governmental decision made or participated in by the designated employee by virtue of his or her position.

Existing provisions of the act require that each conflict of interest code contain specified provisions, including an enumeration of the designated employee positions within the agency, and a requirement that each designated employee file statements of economic interest within specified time periods.

This bill would provide additionally require, with respect to state agencies, that the written description and standards for determination of the reporting requirements for designated employees be a public document available no later than the first day of employment of a designated employee.

This bill would require, with respect to state agencies, that each designated employee file a statement of economic interest on the designated employee's first day of employment. It would require that a separate form be provided to each designated employee, to be signed under penalty of perjury by the employee, acknowledging receipt of the agency's conflict of interest code.

This bill would require that these forms as well as statements of economic interest be reviewed by a designated employee's agency secretary, department director, or a designee, upon filing by a designated employee. It would require the agency secretary, department director, or a designee, to acknowledge the designated employee's statement of economic interest by signing in a space provided on the statement for that purpose.

Existing provisions of the act require that, after the effective date of an agency's conflict of interest code, each new designated employee to file a statement of economic interest within 30 days after assuming office.

This bill would instead require, with respect to state agencies, a new designated employee to file the statement upon assuming office.

This bill would also require, with respect to state agencies, that a conflict of interest code contain specific provisions requiring designated employees, prior to their participation in contract

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negotiations for goods or services, the total cost for which exceeds \$500,000, to sign a confidentiality agreement and a pledge to disqualify themselves from making or participating in governmental decisions in which they have a financial interest.

This bill would further require, with respect to state agencies, that a conflict of interest code contain a requirement that the Department of General Services, the designated employees' agency secretary, department director, or other appropriate authorized personnel, review the statements of economic interests of designated employees who participated in negotiations of a procurement contract for goods and services, the total cost for which exceeds \$500,000, and make a written finding whether a potential conflict of interest exists, within a specified time period. It would require that a finding of potential conflict of interest be forwarded to the Fair Political Practices Commission immediately for further action, and would require the commission to give priority for review and enforcement to the submission.

This bill would require the commission to be the repository for a copy of the conflict of interest code adopted by each *state* agency, and for statements of economic interest filed by each designated *state* employee.

The Political Reform Act of 1974, pursuant to the Online Disclosure Act of 1997, requires the Secretary of State, in consultation with the Fair Political Practices Commission, to develop online and electronic filing processes for use by persons and specified entities required to file campaign and lobbying financial statements and reports with the Secretary of State's office.

This bill would require the Fair Political Practices Commission, in consultation with the Secretary of State, to develop online and electronic filing processes for use by persons required to file statements of economic interest with the Fair Political Practices Commission. It would require the online or electronic filing of these statements under penalty of perjury on and after July 1, 2004.

The bill would appropriate \$1,500,000 from the General Fund to the Fair Political Practices Commission for the purposes of this bill.

Existing law makes a violation of the act subject to administrative, civil, and criminal penalties.

This bill would impose a state-mandated local program by imposing new duties on local agencies, and by imposing the penalties provided by the act on persons who violate the provisions of this bill.

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The Political Reform Act of 1974, an initiative measure, provides that the Legislature may amend the act to further the act's purposes with a $^2/_3$ vote of each house and compliance with specified procedural requirements.

This bill, which would declare that it furthers the purposes of the Political Reform Act of 1974, would therefore require a $^2/_3$ vote.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement, including the creation of a State Mandates Claims Fund to pay the costs of mandates that do not exceed \$1,000,000 statewide and other procedures for claims whose statewide costs exceed \$1,000,000.

This bill would provide that with regard to certain mandates no reimbursement is required by this act for a specified reason.

With regard to any other mandates, this bill would provide that, if the Commission on State Mandates determines that the bill contains costs so mandated by the state, reimbursement for those costs shall be made pursuant to the statutory provisions noted above.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: $\frac{2}{3}$. Appropriation: yes. Fiscal committee: yes. State-mandated local program: yes.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 83116 of the Government Code is 2 amended to read:
- 3 83116. When the commission determines there is probable
 - cause for believing this title has been violated, it may hold a
- 5 hearing to determine if a violation has occurred. Notice shall be
- 6 given and the hearing conducted in accordance with the
- 7 Administrative Procedure Act (Chapter 5 (commencing with
- 8 Section 11500), of Part 1, of Division 3, of Title 2, Government
- 9 Code). The commission shall have all the powers granted by that
- 10 chapter. When the commission determines on the basis of the

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1 hearing that a violation has occurred, it shall issue an order that 2 may require the violator to do all or any of the following:

- (a) Cease and desist violation of this title.
- (b) File any reports, statements, or other documents or information required by this title.
- (c) Pay a monetary penalty of up to five thousand dollars (\$5,000) per violation to the General Fund of the state. When the Commission determines that no violation has occurred, it shall publish a declaration so stating.
- (d) The commission may not issue an order that requires a state or local governmental agency to pay a monetary penalty pursuant to subdivision (c).
- SEC. 2. Section 87300.5 is added to the Government Code, to read:
- 87300.5. Each *state* agency shall adopt a standard Code of Ethics to be promulgated by the commission pursuant to this article, as amended, setting forth the obligations and responsibilities of each public official and designated employee under this article. The commission shall adopt the Code of Ethics no later than January 1, 2004.

SEC. 2.

- *SEC. 3.* Section 87302 of the Government Code is amended to read:
- 87302. Each Conflict of Interest Code adopted by local governmental agencies and political subdivisions pursuant to Section 87300 shall contain the following provisions:
- (a) Specific enumeration and description in writing of the positions within the agency, other than those specified in Section 87200, that involve the making or participation in the making of decisions which may foreseeably have a material effect on any financial interest and for each enumerated position, the specific types of investments, business positions, interests in real property, and sources of income that are reportable. An investment, business position, interest in real property, or source of income shall be made reportable by the Conflict of Interest Code if the business entity in which the investment or business position is held, the interest in real property, or the income or source of income may foreseeably be affected materially by any decision made or participated in by the designated employee by virtue of his or her position. The written description and standards for determination

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of the reporting requirements for designated employees shall be a public document available to the public and the designated employees no later than the first day of employment of a designated employee. position.

- (b) Requirements that each designated employee, other than those specified in Section 87200, file a statement on the designated employee's first day of employment, and at other times and under statements at times and under circumstances described in this section, disclosing reportable investments, business positions, interests in real property and income. The information disclosed with respect to reportable investments, interests in real property, and income shall be the same as the information required by Sections 87206 and 87207.
- (1) A separate form shall be provided to each designated employee, to be signed under penalty of perjury by the employee and returned to the agency acknowledging receipt of the agency's Conflict of Interest Code. These forms as well as statements of economic interests filed pursuant to this section shall be reviewed by a designated employee's agency secretary, department director, or a designee, upon filing by a designated employee. The agency secretary, department director, or a designee, shall acknowledge the designated employee's statement of economic interest by signing in a space provided on the statement of economic interest for that purpose.

(2)

(1) The first statement filed under a Conflict of Interest Code by a designated employee shall disclose any reportable investments, business positions, interests in real property, and income. An initial statement shall be filed by each designated employee within 30 days after the effective date of the Conflict of Interest Code, disclosing investments, business positions, and interests in real property held on the effective date of the Conflict of Interest Code and income received during the 12 months before the effective date of the Conflict of Interest Code. Thereafter, each new designated employee shall file a statement upon within 30 days after assuming office, or if subject to State Senate confirmation, 30 days after being appointed or nominated, disclosing investments, business positions, and interests in real property held on, and income received during the 12 months

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before, the date of assuming office or the date of being appointed or nominated, respectively.

(3)

 (2) Each designated employee shall file an annual statement, at the time specified in the Conflict of Interest Code, disclosing reportable investments, business positions, interest in real property and income held or received at any time during the previous calendar year or since the date the designated employee took office if during the calendar year.

(4)

- (3) Every designated employee who leaves office shall file, within 30 days of leaving office, a statement disclosing reportable investments, business positions, interests in real property, and income held or received at any time during the period between the closing date of the last statement required to be filed and the date of leaving office.
- (c) Specific provisions setting forth any circumstances under which designated employees or categories of designated employees must disqualify themselves from making, participating in the making, or using their official position to influence the making of any decision. Disqualification shall be required by the Conflict of Interest Code when the designated employee has a financial interest as defined in Section 87103, which it is reasonably foreseeable may be affected materially by the decision. No designated employee shall be required to disqualify himself or herself with respect to any matter that could not legally be acted upon or decided without his or her participation.
- (d) Specific provisions requiring designated employees, prior to their participation in contract negotiations for goods or services, the total cost for which exceeds five hundred thousand dollars (\$500,000), to sign a confidentiality agreement and a pledge to disqualify themselves from any involvement in making or participation in the making of decisions in which the employee has a financial interest as provided for in this article.
- (e) A requirement that the Department of General Services, the designated employees' agency secretary, department director, or other appropriate authorized personnel, review the statements of economic interests of designated employees who participated in the negotiations of a procurement contract for goods and services, the total cost for which exceeds five hundred thousand dollars

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(\$500,000), and make a written finding of whether or not a potential conflict of interest exists. The finding shall be made no later than 30 days following the conclusion of negotiations. A finding of potential conflict of interest shall be forwarded immediately, along with all supporting information, to the commission for further action pursuant to this section. Submissions under this section shall be given priority for review and enforcement by the commission.

(f)

- (d) For any position enumerated pursuant to subdivision (a), an individual who resigns the position within 12 months following initial appointment or within 30 days of the date of a notice mailed by the filing officer of the individual's filing obligation, whichever is earlier, is not deemed to assume or leave office, provided that during the period between appointment and resignation, the individual does not make, participate in making, or use the position to influence any decision of the agency or receive, or become entitled to receive, any form of payment by virtue of being appointed to the position. Within 30 days of the date of a notice mailed by the filing officer, the individual shall do both of the following:
 - (1) File a written resignation with the appointing power.
- (2) File a written statement with the filing officer on a form prescribed by the commission and signed under the penalty of perjury stating that the individual, during the period between appointment and resignation, did not make, participate in the making, or use the position to influence any decision of the agency or receive, or become entitled to receive, any form of payment by virtue of being appointed to the position.

SEC. 3.

- SEC. 4. Section 87302.2 is added to the Government Code, to read:
- 87302.2. Each Conflict of Interest Code adopted by state agencies pursuant to Section 87300 shall contain the following provisions:
- (a) Specific enumeration and description in writing of the positions within the agency, other than those specified in Section 87200, that involve the making or participation in the making of decisions which may foreseeably have a material effect on any financial interest and for each enumerated position, the specific

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types of investments, business positions, interests in real property, and sources of income that are reportable. An investment, business position, interest in real property, or source of income shall be made reportable by the Conflict of Interest Code if the business entity in which the investment or business position is held, the interest in real property, or the income or source of income may foreseeably be affected materially by any decision made or participated in by the designated employee by virtue of his or her position. The written description and standards for determination of the reporting requirements for designated employees shall be a public document available to the public and the designated employees no later than the first day of employment of a designated employee.

- (b) Requirements that each designated employee, other than those specified in Section 87200, file a statement on the designated employee's first day of employment, and at other times and under circumstances described in this section, disclosing reportable investments, business positions, interests in real property and income. The information disclosed with respect to reportable investments, interests in real property, and income shall be the same as the information required by Sections 87206 and 87207.
- (1) A separate form shall be provided to each designated employee, to be signed under penalty of perjury by the employee and returned to the agency acknowledging receipt of the agency's Conflict of Interest Code. These forms as well as statements of economic interests filed pursuant to this section shall be reviewed by a designated employee's agency secretary, department director, or a designee, upon filing by a designated employee. The agency secretary, department director, or a designee, shall acknowledge the designated employee's statement of economic interest by signing in a space provided on the statement of economic interest for that purpose.
- (2) The first statement filed under a Conflict of Interest Code by a designated employee shall disclose any reportable investments, business positions, interests in real property, and income. An initial statement shall be filed by each designated employee within 30 days after the effective date of the Conflict of Interest Code, disclosing investments, business positions, and interests in real property held on the effective date of the Conflict of Interest Code and income received during the 12 months before the effective date

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of the Conflict of Interest Code. Thereafter, each new designated employee shall file a statement upon assuming office, or if subject to State Senate confirmation, 30 days after being appointed or nominated, disclosing investments, business positions, and interests in real property held on, and income received during the 12 months before, the date of assuming office or the date of being appointed or nominated, respectively.

- (3) Each designated employee shall file an annual statement, at the time specified in the Conflict of Interest Code, disclosing reportable investments, business positions, interest in real property and income held or received at any time during the previous calendar year or since the date the designated employee took office if during the calendar year.
- (4) Every designated employee who leaves office shall file, within 30 days of leaving office, a statement disclosing reportable investments, business positions, interests in real property, and income held or received at any time during the period between the closing date of the last statement required to be filed and the date of leaving office.
- (c) Specific provisions setting forth any circumstances under which designated employees or categories of designated employees must disqualify themselves from making, participating in the making, or using their official position to influence the making of any decision. Disqualification shall be required by the Conflict of Interest Code when the designated employee has a financial interest as defined in Section 87103, which it is reasonably foreseeable may be affected materially by the decision. No designated employee shall be required to disqualify himself or herself with respect to any matter that could not legally be acted upon or decided without his or her participation.
- (d) Specific provisions requiring designated employees, prior to their participation in contract negotiations for goods or services, the total cost for which exceeds five hundred thousand dollars (\$500,000), to sign a confidentiality agreement and a pledge to disqualify themselves from any involvement in making or participation in the making of decisions in which the employee has a financial interest as provided for in this article.
- (e) A requirement that the Department of General Services, the designated employees' agency secretary, department director, or other appropriate authorized personnel, review the statements of

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economic interests of designated employees who participated in the negotiations of a procurement contract for goods and services, the total cost for which exceeds five hundred thousand dollars (\$500,000), and make a written finding of whether or not a potential conflict of interest exists. The finding shall be made no later than 30 days following the conclusion of negotiations. A finding of potential conflict of interest shall be forwarded immediately, along with all supporting information, to the commission for further action pursuant to this section. Submissions under this section shall be given priority for review and enforcement by the commission.

- (f) For any position enumerated pursuant to subdivision (a), an individual who resigns the position within 12 months following initial appointment or within 30 days of the date of a notice mailed by the filing officer of the individual's filing obligation, whichever is earlier, is not deemed to assume or leave office, provided that during the period between appointment and resignation, the individual does not make, participate in making, or use the position to influence any decision of the agency or receive, or become entitled to receive, any form of payment by virtue of being appointed to the position. Within 30 days of the date of a notice mailed by the filing officer, the individual shall do both of the following:
 - (1) File a written resignation with the appointing power.
- (2) File a written statement with the filing officer on a form prescribed by the commission and signed under the penalty of perjury stating that the individual, during the period between appointment and resignation, did not make, participate in the making, or use the position to influence any decision of the agency or receive, or become entitled to receive, any form of payment by virtue of being appointed to the position.
- SEC. 5. Section 87302.5 is added to the Government Code, to read:
- 87302.5. The commission shall be the repository for a copy of the conflict of interest code adopted by each *state* agency pursuant to this article, and for copies of statements of economic interests filed by each designated *state* employee.
 - SEC. 4.

39 SEC. 6. Article 6 (commencing with Section 87600) is added 40 to Chapter 7 of Title 9 of the Government Code, to read:

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Article 6. Online Conflict of Interest Disclosure for State
Officials and Employees

87600. This article shall be known and may be cited as the Online Conflict of Interest Disclosure *for State Officials and Employees* Act of 2002.

87601. The Legislature finds and declares that the findings and declarations set forth in Section 84601 regarding campaign and lobbying disclosure information are equally applicable to filing statements of economic interest online and placing these statements on the Internet to maximize the availability of this information to the public.

87602. The commission, in consultation with the Secretary of State, shall do all of the following:

- (a) Develop online and electronic filing processes for use by persons—state officials and designated state employees required to file statements of economic interest with the commission pursuant to Section 87302.2 and this chapter. In developing these processes, the commission shall consult with the Secretary of State to define a nonproprietary standardized record format or formats using industry standards for the transmission of the data that is required of those persons required to file statements of economic interest pursuant to this chapter and that conforms with the disclosure requirements of this title. The commission shall hold public hearings prior to development of the record format or formats to ensure that affected entities may provide input into the development process.
- (b) Provide for public access via the Internet, as described in subdivision (d), to the forms necessary to fulfill the reporting requirements of this chapter. Those Internet forms shall be capable of accepting all the reporting data necessary to comply with this article. The system developed pursuant to subdivision (a) shall be capable of transmitting that data to the commission and for the commission to receive the data, store the data, and display the data publicly via the Internet.
- (c) Develop a system that provides for the online or electronic transfer of the data specified in this section, that assures the integrity of the data transmitted, and that creates safeguards against efforts to tamper with or subvert the data.

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(d) Make all the data filed available on the Internet in an easily understood format that provides the greatest public access. The data shall be made available free of charge and as soon as possible after receipt.

- (e) Develop a procedure whereby a filer who complies with the requirement of this section files his or her report under penalty of perjury pursuant to Section 87604.
- (f) Maintain all filed data online for 10 years after the date the data is filed and then archive the data in a secure format.
- (g) Provide assistance to those seeking public access to the information.
- (h) Consult with the Department of Information Technology to implement sufficient technology that would prevent unauthorized alteration or manipulation of the data.
- (i) Report to the Legislature on the implementation and development of the online and electronic filing and disclosure requirements of this article. The report shall include an examination of system security, private security issues, and other issues, recommending appropriate changes if necessary. In preparing the report, the Secretary of State may present to the commission and the Legislature its comments regarding this article as it relates to the duties of the commission and suggest appropriate changes if necessary. There shall be one report due before the system is operational and one due no later than July 1, 2003.
- 87603. The commission, once all state-mandated development, procurement, and oversight requirements have been met, shall make public the availability of the system to accept reports online or electronically. Any filer may then file online or electronically any required report or statement that is otherwise required to be filed with the commission pursuant to this chapter.
- 87604. An online or electronic filer shall file his or her reports under penalty of perjury.
- 87605. On and after July 1, 2004, a person required to file a statement of economic interest pursuant to this chapter shall file online or electronically with the commission.
- 87606. The commission shall maintain at all times a secured, official version of all original online and electronically filed statements and reports required by this chapter. Upon determination by the commission, pursuant to Section 87607, that

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the system is operating securely and effectively, this online or electronic version shall be the official version for audit and other legal purposes.

87607. The commission shall determine and publicly disclose when the online and electronic disclosure systems are operating effectively. In making this determination, the commission shall consult with the Department of Information Technology, and any other appropriate public or private entity. The online or electronic disclosure system shall not become operative until approved by the Department of Information Technology. Upon this determination, filers required by this chapter to file online or electronically will no longer be required to file a paper copy or with local filing officers. Furthermore, the date that a filer transmits an online or electronic report shall be the date the filed report is received by the Secretary of State.

87608. A public official or employee of a state or local government agency may not utilize, for political or campaign purposes, public facilities or resources to retrieve or maintain any of the data produced by this chapter.

87609. There is hereby appropriated from the General Fund to the Fair Political Practices Commission the sum of one million five hundred thousand dollars (\$1,500,000) to develop an online and electronic disclosure system pursuant to this article.

SEC. 5. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution for certain costs that may be incurred by a local agency or school district because in that regard this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

However, notwithstanding Section 17610 of the Government Code, if the Commission on State Mandates determines that this act contains other costs mandated by the state, reimbursement to local agencies and school districts for those costs shall be made pursuant to Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code. If the statewide cost of the claim for reimbursement does not exceed one million dollars

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1 (\$1,000,000), reimbursement shall be made from the State 2 Mandates Claims Fund.

SEC. 7. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

- 12 SEC. 6.
- 13 SEC. 8. The Legislature finds and declares that the provisions of this act further the purposes of the Political Reform Act of 1974
- 15 within the meaning of subdivision (a) of Section 81012 of the
- 16 Government Code.